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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. AVU-E-15-01
OF AVISTA CORPORATION FOR A)	
PETITION TO MODIFY TERMS AND)	
CONDITIONS OF PROSPECTIVE PURPA)	DIRECT TESTIMONY
AGREEMENTS)	OF
)	CLINT KALICH
)	

FOR AVISTA CORPORATION

(ELECTRIC)

1 I. INTRODUCTION

2 Q. Please state your name, the name of your
3 employer, and your business address.

4 A. My name is Clint Kalich. I am employed by
5 Avista Corporation at 1411 East Mission Avenue, Spokane,
6 Washington.

7 Q. In what capacity are you employed?

8 A. I am the Manager of Resource Planning & Power
9 Supply Analyses in the Energy Resources Department of
10 Avista Utilities.

11 Q. Please state your educational background and
12 professional experience.

13 A. I graduated from Central Washington University
14 in 1991 with a Bachelor of Science Degree in Business
15 Economics. Shortly after graduation, I accepted an
16 analyst position with Economic and Engineering Services,
17 Inc. (now EES Consulting, Inc.), a Northwest management-
18 consulting firm located in Bellevue, Washington. While
19 employed by EES, I worked primarily for municipalities,
20 public utility districts, and cooperatives in the area of
21 electric utility management. My specific areas of focus
22 were economic analyses of new resource development, rate
23 case proceedings involving the Bonneville Power

1 Administration, integrated (least-cost) resource
2 planning, and demand-side management program development.

3 In late 1995, I left Economic and Engineering
4 Services, Inc. to join Tacoma Power in Tacoma,
5 Washington. I provided key analytical and policy support
6 in the areas of resource development, procurement, and
7 optimization, hydroelectric operations and re-licensing,
8 unbundled power supply rate-making, contract
9 negotiations, and system operations. I helped develop,
10 and ultimately managed, Tacoma Power's industrial market
11 access program serving one-quarter of the company's
12 retail load.

13 In mid-2000 I joined Avista Utilities and accepted
14 my current position assisting the Company in resource
15 analysis, dispatch modeling, resource procurement,
16 integrated resource planning (IRP), and rate case
17 proceedings. Much of my career has involved resource
18 dispatch modeling of the nature described in this
19 testimony.

20 **Q. What relief is the Company requesting in this**
21 **proceeding?**

22 A. Avista requests the Commission provide the
23 Company the same relief granted Idaho Power in Order No.
24 33222, namely to limit the maximum required contract

1 terms for "IRP Methodology" wind and solar PURPA
2 contracts to five (5) years. A term beyond five (5)
3 years should be an option for the utility in the event a
4 very favorable PURPA opportunity arises. Avista also
5 requests that the Commission provide the Company with any
6 other interim or final relief granted to any other
7 utility subject to PURPA in the State of Idaho.

8 **Q. Why is Avista requesting relief?**

9 A. Developers generally look for the highest
10 returns on their projects, including the certainty of
11 long-term fixed-price contracts. QF developers appear to
12 prefer longer-term contracts. This may be because the
13 long-term price certainty makes it easier to finance
14 their projects. The Idaho experience with wind, and now
15 solar, bears this out. Developers have consistently
16 favored Idaho Power, the utility with the highest
17 calculated avoided cost rates for PURPA projects ("QFs")
18 that qualify for such rates. Accordingly, if Avista is
19 required to enter into QF contracts with a longer term
20 than Idaho Power is required to enter, QF developers may
21 choose a longer-term contract with Avista rather than a
22 five-year contract with Idaho Power.

23 **Q. Can you provide a specific example illustrating**
24 **how a PURPA developer might choose a 20-year contract**

1 from Avista rather than a five-year contract from Idaho
2 Power?

3 A. Yes. Kootenai Electric Cooperative
4 ("Kootenai"), located in the state of Idaho, requested an
5 Oregon 20-year PURPA contract from Idaho Power for its
6 landfill gas project. This was rational economic
7 behavior because the terms of Idaho Power's Oregon PURPA
8 contract were, even with some additional transmission
9 costs, more favorable at that time than the alternatives,
10 including a long-term contract with Kootenai's
11 neighboring utility, Avista.

12 Due to a dispute over the delivery point, Kootenai
13 decided that during the dispute it would deliver the
14 output from its QF to Avista under a short-term QF
15 contract. Again, this decision demonstrated rational
16 economic behavior because, while Avista's long-term rates
17 were much lower than Idaho Power's, Avista's short-term
18 rates were similar to Idaho Power's short-term rates. By
19 selling to Avista under a short-term QF contract,
20 Kootenai was able to retain flexibility to enter into a
21 long-term Oregon QF contract with Idaho Power if it
22 prevailed in its dispute and, in the interim, could
23 obtain a rate from Avista similar to Idaho Power's.

1 Q. Did Kootenai make any other decisions that, in
2 your opinion, demonstrate the tendency of PURPA
3 developers to seek the best overall prices and terms for
4 their output?

5 A. Yes. Though Kootenai's project was located in
6 Idaho, it chose to sell its output to Idaho Power in
7 Oregon where the terms of Idaho Power's PURPA contracts
8 were even more favorable than in the state of Idaho. In
9 fact, in order to obtain an Oregon QF contract from Idaho
10 Power, Kootenai took the issue regarding whether its
11 output would be delivered to Idaho Power in Idaho or in
12 Oregon to the Federal Energy Regulatory Commission
13 ("FERC"). Kootenai ultimately obtained a ruling that its
14 output would be delivered to Idaho Power in Oregon. This
15 later step demonstrates just how sophisticated and
16 motivated PURPA developers are to identify and obtain the
17 PURPA contract with the most favorable terms.

18 Q. Do you think that PURPA developers might find a
19 20-year PURPA contract with Avista more favorable than a
20 five-year contract with Idaho Power?

21 A. Yes. As explained above, developers look for
22 the PURPA contract with the terms that are most favorable
23 to them. PURPA rates for a 20-year term are generally
24 higher than PURPA rates for a 5-year term. Therefore, in

1 the absence of the ability to obtain a 20-year Idaho
2 Power PURPA contract, wind and solar developers likely
3 will pursue longer-term contracts with Avista.

4 Q. Does this conclude your testimony?

5 A. Yes